

## **SIGNIFICANT ASPECTS OF THE SOVIET SITUATION**

It is a privilege to be able to talk with you today on the subject of "Significant Aspects of the Soviet Situation."

You appreciate, I am sure, that many of the activities of the Central Intelligence Agency must remain cloaked in secrecy. I shall not be violating security, however, if I tell you that we, like other government agencies, have general management problems not dissimilar to those of business. In this connection, we have found it very helpful to train some of our senior officers in the Advanced Management Program of the Harvard Business School. As I look about me, I am encouraged in the hope that this fruitful association with the Business School will be long lasting. For I see among you signs of vigor and vitality somewhat surprising in view of Mr. Khrushchev's prediction that our grandchildren will be living under communism.

Even before Khrushchev's visit to the United States, Soviet propagandists were busy describing it as the probable turning point in East-West relations. As Ilya Ehrenburg put it on August 13:

"The turn in international relations has not come about by chance or by miracle. Naturally, individual personalities played an important

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part, and first of all it is necessary to mention the energy, the tirelessness, and (let me say it outright) the humanism of the Head of the Soviet Government, who in the course of his many talks with the representative of the Western states met with distrust and dislike, but who has nevertheless been able to put over the idea of peaceful coexistence and direct negotiations."

This, then, was the immediate purpose of Khrushchev's visit: to sell to the United States the idea of peaceful coexistence. Later, he will attempt to arrange for direct negotiations in which the practical implications of peaceful coexistence will be spelled out and accepted by the West.

Let us examine this a bit more deeply. For the past two years, approximately, a basic premise of Khrushchev's foreign policy has been that Soviet technical and economic advances have shifted the world balance of power toward the Bloc. A primary task of Soviet diplomacy has been to convince the West, and particularly the United States that such a shift has, in fact, occurred. No one has been more assiduous in promoting this end than the Soviet leader himself. In his private interviews with important Western visitors, he has seldom passed up an opportunity to rattle his rockets.

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He has dwelt repeatedly on the ease with which the Soviet Union could destroy the concentrated populations of Western Europe. He has stressed his view that the United States is no longer protected by the oceans' vastness. He has boasted about the growing economic strength of the communist world. And he has concluded always that the only alternative to war is the peaceful accommodation of West to East, naturally, on terms favorable to the East.

Khrushchev is convinced that in the long run the West will have to agree to important adjustments in the international status quo flowing from the Bloc's enhanced power position. In particular, he is determined to get Western acceptance of Soviet hegemony in Eastern Europe, including East Germany, and to bring about the liquidation of U. S. overseas bases. Resorting to an undisguised power play over Berlin, he forced negotiations with the West and ultimately secured a meeting with the President. He probably envisages the exchange of visits with Mr. Eisenhower as the opening phase of a long series of talks in which the USSR, by a combination of pressures and inducements, will gradually bring the West publicly to accept the status quo in Eastern Europe. Even if he does not succeed in this, he probably calculates that he will at least have eroded Western unity

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and reduced the Western will to oppose moves he may plan to make to force the recognition of East Germany.

Implicit in Khrushchev's approach has been the assumption that the United States and the USSR, the "two greatest powers," can alone decide the issue of peace and war, an over-simplified view which the U.S. has been at some pains to disavow. Developing this theme in a press conference on 5 August, Khrushchev said: "When nobles fight, their serfs tremble." Apparently, however, some serfs become agitated when the nobles appear to agree. For Khrushchev's carefully arranged pas de deux with the United States was marred to some degree by sour notes from the Far Eastern section of the orchestra. Moscow has been anxious to avoid developments, particularly in Asia, which might rock the boat while Khrushchev was attempting, in pursuit of larger designs, to create a more favorable atmosphere in Soviet-American relations. The Sino-Indian border dispute and events in Laos suggest that the Chinese serf has not been entirely obliging. A Tass statement of 9 September on the Indian border clashes, reflecting Soviet displeasure, was unique in refraining from taking sides in a dispute between a bloc country and a non-communist country.

Chinese propaganda has joined that of the rest of the bloc in praising the Eisenhower-Khrushchev talks as a victory

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for peace. But at the same time Chinese leaders have cast doubt on the sincerity of the U. S. and have persisted in making charges of U. S. aggression. This jarring note, of course, reflects the Chinese need to maintain the threat of U. S. aggression in their pursuit of both domestic and foreign policy objectives. The USSR, as we all recall, used also to rely on the ogre of capitalist imperialism to justify sacrifices demanded of its people.

Such tactical differences between the Soviet and Chinese Communist regimes stem from their different stages of historical development, and will probably continue to appear.

In addition, there are other, more basic areas of friction in Sino-Soviet relations. These bear on the long-term programs of the two regimes--particularly the shape of their economic organizations, and the extent to which Moscow should be accepted as the senior partner in the bloc. The most widely publicized issue is the question of the Chinese communes. Khrushchev openly criticized the communes during his visit to Poland last July. During his trip to Peiping this month he showed continuing reluctance to endorse Communist China's economic policies. In fact, the over all tenor of the public statements emanating from Peiping during and after Khrushchev's visit there suggests that there remain

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significant areas of disagreement between Mao and the Soviet leader/<sup>and that they</sup>were not only unable to resolve their differences but that these may even have been sharpened.

We have noted, for instance, that Khrushchev and Mao failed to come up with a joint communique extolling their fraternal get together; this had been standard ritual up until this time. We have also noted that some of the public statements of the Chinese Communist leaders are getting the red pencil censorship treatment when they are republished in the Soviet press. Then, too, we have been observing that Khrushchev has been very reluctant to discuss the Chinese trip--although he has made a raft of public speeches since his return. Finally, at a rather crucial time, we see that Moscow has replaced its ambassador to Peiping; one of their top ideologists has been sent home and an obscure party worker has been posted in his place.

I do not see any of these disagreements as serious enough to split the bloc at this time. The ideological differences are the business of the communists themselves. But, I am concerned that the Chinese may not accept the Soviet renunciation of force in settling international disputes.

In his recent article in Foreign Affairs, Khrushchev stated his challenge to the West in these terms:

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"Let us try out in practice whose system is better; let us compete without war.... We believe that ultimately that system will be victorious on the globe which will offer the nations greater opportunities for improving their material and spiritual life."

I should like to turn now to a brief examination of some of the features of the Soviet system on which the Soviet Premier bases his challenge. First, the Soviet economy.

At the close of the 21st Party Congress, Khrushchev summed up his views on the importance of the Soviet economy in the East-West contest as follows:

"The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure the Soviet victory in peaceful economic competition with the capitalist countries; development of the Soviet economic might will give Communism the decisive edge in the international balance of power."

We must not minimize the magnitude of the USSR's economic achievements. In the short space of 30 years, the Soviet Union has risen from relative mediocrity to the second

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largest industrialized economy in the world. Its rate of growth, though tapering off moderately in the past few years, continues to exceed our own--9 1/2 percent annually as compared to 3.6 percent for the U. S. for the seven years through 1957.

Measured in dollars, Soviet capital investment this year may already be equal to that of the United States, and in industry will probably be even higher than ours. Having a lower standard of living and much lower output of consumer goods, the USSR plows back into investment around 30 percent of its production, while we in the U. S. are satisfied with 17.20 percent. With an investment effort of this magnitude and a GNP currently about half that of the U. S., the Soviet economy can hardly fail to grow much faster than ours.

The outlook for the Soviet consumer is not particularly favorable, however, even though the production of consumer goods has been rising in recent years. Last year, the Soviet people had barely 1/3 the total goods and services available for purchase that were available to Americans. This illustrates the main contrast between the Soviet economy, which is geared largely to economic growth and for military purposes, and ours, which is geared largely to satisfying growing consumer demands and building a higher standard of living.



and a better estimate of U.S. <sup>annual</sup> growth  
of industrial output would probably be about 4.5 percent.

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I have said that we should not belittle the Soviet economic achievement. By the same token we should not magnify it. Khrushchev's Seven Year Plan establishes formidable goals, and in the main they will probably be achieved. The drive to catch up with the United States, however, is quite another thing. Khrushchev himself has declared that "after the completion of the Seven Year Plan we will probably need about five more years to catch up with and outstrip the United States in industrial output. Thus by that time (1970), or perhaps even sooner, the Soviet Union will advance to first place in the world both in absolute volume of production and in per capita production." This, I think, is an unrealistic prediction. It assumes for one thing, a ratio of Soviet to US output of 50 percent and a projected rate of growth in U. S. industrial production of only two percent. Actually their level of output is currently <sup>only</sup> nearly 40 percent that of the U. S. By 1970, <sup>assuming the same relative rates of growth, it will be</sup> 60 percent of that in the U. S. And Khrushchev's promise to his people of the highest standard of living in the world by 1970 is simply absurd.

Nevertheless, we must not lose sight of the fact that the growth of the Soviet economy, even though more modest

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than these propaganda statements would indicate, will still:

- a) provide additional resources permitting an increase in military spending of more than 50 percent in the next 7 years without disturbing the balance of the economy.
- b) yield a satisfying improvement in the standard of living to a people long accustomed to austerity and
- c) permit a further expansion of trade and aid with the underdeveloped nations, an area in which Moscow is conducting a crucial contest with the Free World.

The achievements of Soviet science, symbolized for whole world in the Sputniks, have provided Khrushchev with another potent argument in his campaign to prove the superiority of communism. The Soviet regime has always regarded scientific and technical progress as a key to political, economic, and military power. The USSR's achievements in this field are the consequences of its devoting a substantial and increasing portion of its national product to the scientific and technological effort.

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The Seven Year Plan, for example, devotes high priority to work on some 150 scientific problems, including such matters as controlled thermonuclear reaction, research on cosmic rays, nuclear research, the development of computers, and the production of special alloys. Concentration on these problems means a better chance for breakthroughs in them, but does not mean that other scientific areas are being neglected. Virtually every scientific discipline will receive adequate attention.

In support of the scientific effort, rapid expansion and reorganization of research facilities was begun in 1957. It still continues. Reforms introduced in the educational system were undertaken in part, at least, to improve the selection of students for higher scientific education.

The USSR's technical-scientific manpower force is impressive--1.7 million as opposed to 1.4 million for the U. S. And the number of Soviet graduates in these fields is increasing at a much more rapid rate than in this country. On the basis of current trends, by 1964 the USSR will have about 1/3 more scientific and technical graduates than the U. S.

I believe that the West still possesses an over-all scientific lead over the Soviet Union. The continuation of

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present trends, however, will result in the USSR's achieving world leadership in an increasing number of fields. It should also provide Khrushchev with additional useful "firsts," particularly in such prestige matters as missile and space programs.

Current Soviet military strength gives Khrushchev yet another powerful card to play as he presses for peaceful co-existence on his own terms. A top Soviet official just a few days ago, bragging about an alleged growing power advantage of the USSR over the capitalist world, said "Our rockets have forced the U. S. and Britain to come to the negotiating table."

The USSR has been devoting about twice as much of its GNP to military ends as we do, a greater proportion than any other country in the world. With a GNP half the size of ours, the Soviets carry a military load roughly equal in total value to ours. It is easy to see why they might, under the right circumstances, desire some degree of disarmament. This would permit them to step up their economic competition with the West sharply and at the same time accelerate the upward trend of their standard of living.

They have a 2 1/2 million man army which has been fully reequipped since the end of World War II. They have--in

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large numbers--the most modern types of defensive aircraft, a very large medium bomber force, and some long-range bombers. They have the world's largest submarine force--400 units, 75 percent of which are long-range, ocean patrol types. All the evidence indicates that we are ahead of them on nuclear powered submarines, but they will probably unveil some of these in the near future.

The USSR has built fewer heavy bombers than we would have expected a few years ago and has devoted a large effort to ballistic missiles. At the end of World War II, the Soviets were in possession of much German equipment in the missile field, and many German technicians. On this base they have built their own missile capability. They now have certain models of short and intermediate range missiles in production. They assert that they have ICBM's in serial production, and it is certain that they have tested them. Given the circumstances of geography and the perfection of nuclear warheads, the ICBM is obviously Moscow's most effective counter to the military strength of the United States. There is no reason to doubt that the USSR will before long have an ICBM operational capability.

Powerful as the Soviet Union unquestionably is, however, I believe that the United States is still its superior in

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military strength. I believe that the Soviet leaders are aware of this. Consequently I believe that they will not desire deliberately to provoke hostilities with us or our allies at this time.

To sum up - economically, scientifically, militarily, the USSR is a powerful modern state. It possesses an abundance of resources and the ability and the manpower to employ them in any way its leaders desire. Yet there is a profound paradox at the very heart of the Soviet system. I say this because I believe that the political system of the Soviet Union is an anachronism. Where on earth, except under this system and those spawned by it, does there exist a people as abundantly endowed with energy, intelligence, and talent as the Russian people, with as little to say about the choice of their own leaders and the determination of their own fate?

Khrushchev today is firmly in the saddle, having disposed of his rivals as effectively--if less finally--as Stalin used to do it. Tomorrow, who knows? The Soviet system with its facade of democratic forms imperfectly concealing the real organs of authority makes no provision for the orderly transfer of power from the dying hands of the old leader to his successor. I believe Khrushchev when he

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says that the Russian people do not want war. But how can we be certain that he will be responsive to their will in this respect. Khrushchev has told us that Stalin was not always responsive to the will of the people, or even of the party. There is plenty of evidence that Khrushchev does not hesitate to frustrate the desire of the people if they conflict with his aims or those of the party. And what about his successor; who knows what his policies may be? Herein lies the difficulty of placing our trust in this system or in binding ourselves to any long-term agreement with it without the most ironclad safeguards.

Khrushchev has, of course, made important strides in modifying the harsher features of the dictatorship. He has reduced the power of the police, done away with slave labor camps, and reformed labor laws. There has been some decentralization of authority. His cultural exchange system has brought about a partial lifting of the Iron Curtain. Most recently, he has stopped all out jamming the VOA, in favor of a selective jamming program. Significantly, VOA programs beamed to Eastern Europe and some minority areas of the USSR are still jammed.

These developments reflect his assumption--an assumption never made by Stalin that the Soviet people are fundamentally



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loyal and therefore generally reliable. However, these changes have been piece-meal, pragmatic, born of necessity. In essence, they have had but one aim--to make the system function more effectively. Any freedoms received by the people are granted from above; they are not regarded as inherent rights of man; and at this point, at least, they can be taken away, just as they were handed out, by the leader. Soviet writers have learned, for instance, that their freedom of expression has definite, if undelineated, boundaries.

But the problem is becoming increasingly difficult. The regime must continue to experiment in order to get the machine to move faster and more efficiently; further modifications in the dictatorship, therefore, are bound to come. The crux of the problem is that in this field the regime doesn't really know where it is going. It can outline to the last detail the goals of a Seven Year Plan, but it can't plan the impact of social change.

For seven years the regime has deemphasized the secret police and curtailed their activities. It is getting to the point now where it is questionable if the leaders could again resort to terror in the old Stalin manner. Still they must try to hold the line. Now in this changing social situation,

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then, do you combat the problems of a softened society-- kids that refuse to get their hands dirty, people who balk at being transferred to the provinces, featherbedding, corruption? On one issue they will try to stand firm, on another they will give in a little. They are forced to move quickly from one problem area to another; they make stop-gap decisions but are unable to determine the over-all effect.

Another of Khrushchev's problems is that he must deal with an increasingly better educated and more sophisticated society. Essentially, he has no alternative but to pay the price for having educated citizens performing well at their jobs. He will want to keep the price as low as possible in terms of liberty and freedom of thought. But an easier flow of information, more travel abroad, and greater cultural exchange are probably in the cards. More consumer goods and better housing are to be expected. As a result of a greater sense of security and a natural waning of revolutionary zeal, the USSR will probably gradually evolve in the direction of more decent and humane political conduct internally and eventually toward more civilized and bearable behavior internationally. I think that there is hope for real progress here over the long run.

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This, of course, does not ease the task that faces us in riding out the Soviet challenge today. I would recall once more the terms of Khrushchev's challenge:

"We believe that ultimately that system will be victorious on the globe which will offer the nations greater opportunities for improving their material and spiritual life."

Stern, though the economic, scientific, and military challenge may be, I am confident that free men can meet and overcome it. The spiritual challenge we can meet and defeat hands down.

If the battle is fought on Khrushchev's terms, however, the field of encounter will be entirely within the non-communist world. By definition--his definition, that is--any concrete effort we might make to convince the peoples of Eastern Europe or the Soviet Union of the superiority of capitalism would be interference in the internal affairs of these countries. He would have us accept the premise that the road to communism is strictly one-way. He must insist on this. For who can doubt which way a people--say

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the East Germans--who have experienced the benefits of both capitalism and communism, which way such a people would turn if they were given real freedom of choice?